

## Is Trump really going to rely on Laffer to get his cuts...

Published: January 13, 2026, 7:48 pm

---

Donald Trump has promised massive tax cuts for US corporations from a federal rate of 35% to 15%.

He is simultaneously saying he will offer a one off repatriation right for US corporations wanting to bring their profits back into the USA at a low tax rate of 10%.

There is a problem for this and much else that Donald Trump proposes. This is that in 2010, when such things came into vogue not just in the US but also in the UK, the [Pay-As-You Go \(PAYGO\) Act was passed](#) which said that any legislative changes to taxes or mandatory spending that increase multi-year deficits must be “offset” or paid for by other changes to taxes or mandatory spending that reduce deficits by an equivalent amount. Violation of PAYGO triggers across-the-board cuts (“sequestration”) in selected mandatory programs to restore the balance between budget costs and savings.

So, Trump wants to half the corporation tax rate in the US. Quite a number of US corporations, from Google, Apple and Microsoft onwards, do pay US corporation taxes, and in significant amounts. It's their overseas taxes that they avoid, in the main. I accept that there are companies in the US who pay no federal income taxes because of 'pork-belly' deals, but that is not the universal case. Halving the corporation tax rate is, then going to have a substantial cost and in that case problems arise for Trump. He has to show how he makes this money up.

Some will come from 10% tax on maybe \$2 trillion offshore - but it may not all come back unless this is a time limited opportunity. And that is in any case a maximum of \$200 billion. But the cost of more than halving the domestic corporate tax rate just so happens to be \$200 billion annually [based on US government data](#) and assuming no behavioural change.

So, after year one there has to be a behavioural change worth almost \$200 bn of extra revenue a year. Surely Trump is not going to be able to persuade the Congress that halving tax rates doubles revenues? That would be a wild interpretation of the Laffer

curve if he tried. If not, he's not going to get this cut through without 60 Senate votes for it, and they're not likely to be available.

So, is it Laffer or bust for Trump on this one, with my money on bust?

It will be interesting to see.

*NB And, yes I am aware of the Budget reconciliation process, but how often might he use that?*